



BILL DRAFT 2007-RBz-42: PEG Channels and Video Programming Changes

BILL ANALYSIS

Committee:	Revenue Laws Study Committee	Date:	April 30, 2008
Introduced by:		Summary by:	Cindy Avrette
Version:	Bill Draft		Committee Staff

SUMMARY: *This bill draft would modify the laws relating to the following, as recommended to the Revenue Laws Study Committee by the Southeast Association of Telecommunications Officers and Advisors:*

- *State franchises for cable service providers.*
- *The PEG Channel Grant Program.*
- *The local government allocations for PEG channel operation and support from the distributions it receives from the sales tax on video programming.*

The bill would become January 1, 2009.

CURRENT LAW: In 2006, the General Assembly established uniform taxes for video programming services by applying the combined general rate of sales tax to all video programming services and repealing the local authority to impose a local franchise tax. As part of that legislation, it provided a State franchise process for cable service providers, in lieu of the prior locally negotiated franchise agreements. It preserved the local government revenue stream by distributing part of the sales tax revenues from telecommunications and video programming services to the counties and cities. The distribution formula is based upon the amount of cable franchise tax imposed during the first six months of fiscal year 2006-2007 plus any subscriber fees imposed during that same period.

BILL ANALYSIS: This bill draft comes to the Revenue Laws Study Committee as a recommendation from the Southeast Association of Telecommunications Officers and Advisors. The recommended changes are as follows:

- It would create a new defined term: 'PEG channel operator'.
- It would require a State notice of franchise to include the basis on which a cable service provider is filing for a State franchise. A cable service provider may file for a State franchise because it is a new entrant in the market area or because it is terminating its existing agreement with a local government. A cable service provider may terminate its existing agreement for one of three reasons, all of which relate to competition in the service area by another provider who has a State franchise.
- It would define a basic service tier as the lowest priced tier available to a subscriber which includes the local broadcast stations. The current law requires the initial PEG channels to be provided on a basic service tier.
- It would clarify that a county or city that has fewer than seven PEG channels may request a seventh channel.
- It would require interconnection between cable service providers if the systems are within 125 feet of each other. Under current law, a cable service provider may not request interconnection with another cable system unless the systems are within the same service area.

- It would require a cable service provider to provide carriage of PEG signals which originate anywhere within a municipality's jurisdiction if requested to carry the PEG channel by the municipality. Under current law, the origination site must be in the provider's service area.
- It would allow PEG channel operators to apply for grants from the PEG Channel Fund. Under current law, only counties and cities may apply for a grant.
- It would increase the number of qualified PEG channels for which a county or city could receive supplemental PEG support funding from three to seven. Of the sales tax revenue on video programming that is distributable to local governments, \$2,000,000 a year is allocated for supplemental PEG channel support. The \$2,000,000 allocation is distributed to counties and cities with qualifying PEG channels. The annual amount per qualifying PEG channel is \$25,000. A county or city can not receive supplemental PEG channel support for more than three PEG channels.
- It would provide that the amount of funding a county or city must provide for the operation and support of PEG channels must be the same level of support the county or city provided in fiscal year 2006-07. Under the legislation enacted in 2006, a county or city that imposed subscriber fees on cable customers must use a portion of the amount distributed to it under the sales tax distribution of video programming revenues for PEG channel operation and support. The amount it must use for this purpose is two times the amount of revenue it certified to the Secretary it imposed as subscriber fees during the first six months of fiscal year 2006-2007. The remainder of the money distributed to counties and cities may be used for any public purpose. This change would provide that the required level of funding would not be a stagnant number, but a proportionate number.